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Implementation of the programme for the Second Industrial Development Decade for Africa

Report of the Secretary-General**

Summary

The present report of the Secretary-General is a follow-up to the implementation of General Assembly resolution 56/187, entitled "Second Industrial Development Decade for Africa (1993-2002)", adopted on 21 December 2001. The resolution calls for a review of the implementation of the programme of the decade as well as lessons learned during this period. Since the overall task set up by the resolution is to make the review of the programme an integral part of the review and appraisal of the United Nations New Agenda for the Development of Africa in the 1990s, the current summary covers only recent activities in the programme of the decade, especially in view of the information and conclusions provided in the previous report of the Secretary-General submitted on the same subject in 2001 (A/56/139). The present report, therefore, mainly reviews progress made in the implementation of the programme during 2001 and, to some extent, during 2002. The report is composed of three main chapters. Chapter I examines the economic and industrial development trends in Africa as well as constraints to the industrialization process of the continent. Chapter II reviews activities undertaken by the Economic Commission for Africa and the United Nations Industrial Development Organization within the framework of the implementation of the Second Industrial Development Decade for Africa and the Plan of Action of the Alliance for Africa's Industrialization, and chapter III presents selected conclusions and recommendations.

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Contents

		Paragraphs	Page
I.	Economic and industrial development trends in Africa	1–20	3
	A. Update of the economic and industrial situation	1–8	3
	B. Challenges to sustainable development in Africa	9–20	4
II.	Support programmes for implementing the Second Industrial Development Decade for Africa	21–56	5
	A. Activities of the Economic Commission for Africa	21–32	5
	B. Major activities of the United Nations Industrial Development Organization in Africa	33–56	7
III.	Conclusions and recommendations	57-64	11

I. Economic and industrial development trends in Africa

A. Update of the economic and industrial situation

1. During 2001, new efforts were made by the international community and the African countries themselves to develop a new vision of and new approaches to the challenges of development. Following the adoption of the Millennium Declaration, the Third United Nations Conference on the Least Developed Countries and the high-level segment of the substantive session of 2001 of the Economic and Social Council on Africa were major events in the United Nations system to streamline and refocus its assistance to developing countries in general and to Africa in particular. On their own side, African countries adopted the New Partnership for Africa's Development, which is a pledge by African leaders to eradicate poverty and to place their countries on a path of sustainable development and active participation in the world economy.

2. Real gross domestic product (GDP) in Africa increased very modestly to an estimated 3.4 per cent in 2001 from 3.2 per cent in 2000, while per capita GDP growth rate increased marginally to 1 per cent over the same period. The economic growth rate was driven by some improvements in the Arab region and a moderate increase in economic activity in sub-Saharan Africa owing to improved weather and the easing of security problems. The average growth rate for the continent reflects the pattern of the large economies of Algeria, Egypt, Nigeria and South Africa, which together account for about 50 per cent of Africa's GDP.

3. In 2001, despite the modest performance of the African economy as a whole, it is worth noting that 17 African countries achieved rates of growth within the range of 5 per cent, with 16 others reaching rates between 3 and 5 per cent. The number of countries recording negative growth also declined from 9 to 5 per cent.

4. The major factors responsible for the modest growth in 2001 have been linked to the global economic slowdown. Deteriorating demand has led to the collapse of most primary commodity exports and African countries with very high concentrations in non-oil primary commodity exports experienced high losses of foreign exchange earnings. In addition, the continent's growth performance is still constrained by civil wars and social conflicts and by poor economic and political governance. By hampering productive activities and diverting resources from development programmes such constraints have slowed down growth keeping the gross domestic investment (GDI) ratio in 2001 virtually unchanged (20.8).

5. At the same time, estimated net capital flows to Africa fell to $14.35 billion in 2000 from $21.13 billion in 1999. Available statistics on gross foreign direct investment (FDI) flows indicate that, after rising by 18 per cent in 2000 to $1.3 trillion, the global flows of FDI decreased by about 40 per cent in 2001, to $760 billion. In 2001, FDI flows to Africa increased from $9.1 billion to $11 billion, owing to a rise in investment in Morocco and South Africa. Investment was mainly in oil, gas and minerals, and in the tourism sectors of Africa. Only a few economies, including South Africa and Egypt, managed to diversify their internal structure and to achieve an expanded scope of foreign investment.

6. The industrial sector continued to decline in 2001 and the prospects for industrial growth remained uncertain in the majority of sub-Saharan countries. Continuous marginalization of the African economies and their failure to integrate into the global market led to the stagnation of their industries and a dangerously growing gap in technology development and capacity-building.

7. In general, progress achieved in the industrialization of developing countries remains very uneven from one region to the next. While South-East Asian countries have succeeded in raising their share (among developing countries) of manufacturing value-added (MVA) from 25.3 per cent in 1980 to 36 per cent in 2001, and China has raised its share from 10 to 32 per cent over the same period, the sub-Saharan African countries, which have seen their MVA contribution share continually decline, falling from 2.6 in 1980 to 1.4 per cent in 2001, have been increasingly marginalized in the world economy.

8. At the same time the share of the manufacturing value added in GDP in African economies, which was 13.4 per cent in 1990, declined to 12.8 per cent in 1997, and has not changed dramatically in recent years. It appears that the contribution of the manufacturing sector to the GDP of African countries is lower than to

countries in other regions of the world. The overall growth of MVA during the 1990s was negative in all African subregions, except North Africa.

B. Challenges to sustainable development in Africa

Eradicating poverty

9. In 2001, the proportion of people living in extreme poverty in Africa continued to rise, with approximately 52 per cent of the population living on less than $1 per day. In this context, reducing poverty is the biggest development challenge facing African countries in their quest for durable peace and sustainable development.

10. The Millennium Declaration target of reducing poverty by half by 2015 would require African countries to grow, on average, at a rate of 7 to 8 per cent per annum. With a domestic savings rate of 1.8 per cent (compared to a desired rate of 25 per cent), African countries will be unable, in the short term, to mobilize the resources required to achieve this rate of growth from their savings. Against this backdrop, a number of measures will have to be taken to mobilize external resources in the short to medium term.

Financial constraints

11. Private capital flows have not contributed very much to industrial development efforts in Africa. In fact, Africa has been largely marginalized from international private capital markets over the past decade. In 1999, Africa attracted only $10.3 billion, or 5 per cent, of the total flow of $207.6 billion in FDI to developing countries. The challenge for African countries is to ensure confidence in their economies, which includes providing greater transparency, accountability and the rule of law. African countries need to strengthen key institutions, such as the civil service and the judiciary, in order to establish the requisite environment for attracting private resources. They should also improve infrastructure, strengthen financial intermediation and upgrade human capital.

Market access

12. Open access to the markets of industrialized countries is one of the prerequisites for the successful development of the African economies. While some concrete initiatives to improve market access were announced at the Third United Nations Conference on the Least Developed Countries, a combination of continued protection, subsidies, quality and technical standards imposed by importing countries means that access to international markets remains difficult. African countries still face high tariffs on some exports, such as textiles and clothing and some agricultural products, areas in which they have a comparative advantage.

13. The range of standards imposed on products from developing countries in general, and Africa in particular, especially those that exceed internationally accepted regulations, should be re-examined. A World Bank study showed that the "precautionary principle" in food safety standards used by one of Africa's main trading partners will save two lives for every 1 billion people, and could cost nine African countries $700 million in lost exports.

Lack of information and communication technologies

14. In future, improving the competitiveness of the African private sector will increasingly depend on the pace of adoption of information and communication technologies, an area where differences between the development levels in Africa and the rest of the world are even wider. Only 2.5 per cent of the world's televisions are on the continent, where the overall tele-density is still only about 1 per 200 inhabitants; computer penetration is less than 3 per 1,000; and just 1 in 1,500 has access to the Internet, compared to a world average of about 1 in 40. Concerted efforts by Governments to improve communications technologies and access to information and communication technologies are needed to generate the required improvements in firm performance.

15. In recent years, the telecommunications industry in sub-Saharan Africa has been undergoing a revolution of sorts, with market and technology forces gradually eating away at the last vestiges of government-sanctioned monopolies. In an industry once considered a preserve of the State, and long dominated by national parastatals, a new generation of players, led by mobile phone companies, is spearheading the transformation of Africa's communications revolution. Mobile operators continue to attract throngs of new subscribers at the expense of fixed-line operators, setting the stage for their eventual domination of the sector, despite a number of obstacles,

ranging from the rapid maturing of the market to the high cost of mobile services for the mass of people.

Africa's human capital

16. Despite progress in education and health in Africa over the past half century, both the volume and quality of human capital are widely acknowledged as grossly insufficient to meet the challenges of the twenty-first century. The general objective of human resource development for industrialization is to reduce overdependence on imported technical and scientific personnel, while at the same time providing entrepreneurial capabilities and high-level managerial, engineering, technical and operational skills. Ideally, this should also result in significant improvements in competitiveness, as measured by higher productivity levels, better product quality, increased production and sales (both locally and internationally) and improved market access. The ultimate goal is to create a shift away from commodity dependence towards manufacturing at more advanced technological levels.

17. Specific objectives of human resources development are to produce an entrepreneurial cadre that could determine the pace of industrialization and provide the critical capabilities required for research and development and for the managerial, scientific, technological, technical and planning functions on which the industrial sector depends. For policy-making, the challenge, therefore, is to identify the strategic sectors for which investments in human capital are required over the long term.

18. Strengthening human capital for Africa's sustainable development will require a coordinated effort, including public-private partnerships to mobilize financial, technical and other resources in support of community-based interventions. Globalization has brought with it the possibilities for more effective partnerships with civil society, including the private sector and foundations.

Diversification of economies and infrastructure development

19. African countries are rich in natural resources and therefore possess the basis for the structural transformation of their economies. An effective way to increase the value of production and trade is to process the region's abundant primary commodities, moving into higher value-added resource-based industries, concentrating on those products for which there is rising demand. An industrialization strategy that focuses on labour-intensive manufactured exports would also directly address the need for productive employment, reducing both absolute and relative poverty and securing peace and stability. By developing other sectors, including manufacturing and services, diversification could ensure sustainable growth rates and economic stability.

20. One critical task with respect to diversification is the rehabilitation of infrastructure. Over the last two decades, a combination of economic crisis and/or civil war, in addition to poor maintenance, have contributed to the deterioration of physical infrastructure in many African countries. The high transaction costs related to unreliable and expensive power supply and telecommunications and poor transport infrastructure have undermined the development of productive capacities of African economies, contributing to the marginalization of the region in world trade, finance and investment. It has also contributed to a poor supply response to structural adjustment policies and the failure to diversify. Because of its capital-intensive nature, rehabilitating and modernizing Africa's transport, telecommunications and energy infrastructure will be possible only by joining forces with the private sector.

II. Support programmes for implementing the Second Industrial Development Decade for Africa

A. Activities of the Economic Commission for Africa

Introduction

21. During 2001, the first priority of the programme of work of the Economic Commission for Africa (ECA) related to the implementation of the Second Development Decade for Africa focused on the support to and promotion of small, medium-size and micro-enterprises and industries (SMMEs/SMMIs). Guided by the draft resolution prepared for submission to the fifty-seventh session of the General Assembly on the role of ECA in the promotion of information and communication technologies, e-commerce and the development of SMMEs/SMMIs, the Commission is to

work on this initiative in coordination with other relevant United Nations bodies, including the United Nations Industrial Development Organization (UNIDO) and other entities concerned with the development of such enterprises.

International conference on the role of business schools in business and managerial development

22. The other key areas of the work programme for the implementation of the programme of the Second Decade was the linking of selected African business and management institutions to their leading North/South counterparts. A number of business and/or management schools were expected to align themselves with renowned North/South schools. Such linkage would result in development or enhancement of programmes and curricula, as well as the development of virtual business and management education facilities suited to the needs of SMMEs/SMMIs. The actual programmatic citation in the work programme was:

(a) Non-recurrent publication: guidelines on how to build strategic alliances for linking selected African business/management institutions to their North-South counterparts;

(b) Special event: high-level round-table discussion on building strategic alliances for linking selected African business/management institutions to their North-South counterparts.

23. There was a central concern that, since most African countries are reforming economies, the public sector would not and cannot be expected to be the engine of growth. It is the private sector, which is dominated by SMMEs/SMMIs, that will play this role. If the private sector and African entrepreneurs are going to be the engine of growth, they must be empowered.

24. This paradigm shift calls for new approaches and skills in order to empower the private sector. This is the core mission of the business schools. They should not only undertake business and managerial training research to foster business development but also create corporate employees at all levels. The other mission of business schools is to create well-educated and trained self-employed individuals who can run their business competently.

25. It is with the above in mind that ECA convened the conference held at the United Nations Conference Centre from 19 to 21 November 2001. In response to invitations extended to a selected number of university faculties of business, management and administration in Africa, the United Kingdom, Malaysia and the United States of America, the conference attracted 29 international as well as 10 local participants. Invitations were also extended to associations of universities, including the Association of African Universities (AAU), the Commonwealth Association of Universities (CAU) and the International Association of Universities (IAU), as well as to academics, individuals from the private sector, policy makers from selected countries and to representatives of the Regional Economic Communities, the ECA subregional development centres, other United Nations organizations and development partners.

26. The conference was organized in order to seek the views of a cross-section of practitioners, chiefly from business schools, on how to enhance business education in Africa, especially for entrepreneurs in the sectors dominated by SMMEs/SMMIs. Through sharing experiences and views on best practices in business education and aspects of entrepreneurial development, the conference's main objective was to find ways to strengthen the role of business schools in business and managerial development in Africa.

27. The conference focused on how technology can be mobilized to create synergies with entrepreneurship in enhancing business operations in Africa. The meeting was designed to be a gathering of policy makers, academicians, corporate managers and entrepreneurs. They analysed, in a holistic manner, the related problems and agreed to present an action plan, including: the mentoring of entrepreneurs by business schools; defining ways of fostering best practices by business schools; and strategies for building synergies, networks, alliances and thus developing managerial competencies related to enhanced entrepreneurship and business education. The conference also focused on best practices in instructive teaching and management that could be disseminated across the continent.

Project proposal on the development web portal for small, medium-size and micro-enterprises and industries in Africa

28. The Economic Commission for Africa has forwarded a proposal to enhance the competitiveness

and effectiveness of SMMEs/SMMIs, in line with the above-mentioned draft resolution to be presented at the forthcoming fifty-seventh session of the General Assembly, which urges ECA to play a more active role in the promotion of new information and communication technologies and e-commerce and in the development of African SMMEs/SMMIs in coordination with other United Nations bodies concerned with the development of such enterprises.

Justification

29. According to the Organisation for Economic Cooperation and Development (OECD), SMMEs have made a significant contribution to socio-economic development in Africa, providing 60 to 70 per cent of jobs. Owing to the lack of opportunity to promote their products worldwide, and to an inability to access market information related to their business area, their penetration and competitiveness in the regional and global markets is limited. The advancement in the Internet and the convergence between telecommunications and computing provide great potential for SMMEs to promote their goods globally on the Internet and also to access a tremendous amount of information on marketplaces and joint investment ventures. The development and use of web portals will enable SMMEs to increase their visibility and help them promote their products and services. Moreover, the use of the portal by the SMMEs will further create awareness on how new information and communication technologies can assist them to develop their business.

30. The web portal would serve as a common platform for disseminating information generated by the various organizations and individuals involved in promoting SMMEs at national, subregional and regional levels. The main services of the web portal would include: providing business development information, creation and storage of web catalogue of SMMEs products and services, news and current market trends, discussion forums, articles, statistics, best country practices, legal issues, contact addresses of SMMEs and related institutions, training programmes and business opportunities.

Objectives

31. **Short-term**: Within the first year of the project, the web portal aims at providing SMMEs in Africa with facilities that would enable them to create information on their products and services and load them on the web portal so that potential buyers will have access to it.

32. **Long-term**: Over the long term, efforts will be geared towards developing and strengthening capacities of selected SMMEs in member States, ECA subregional development centres, trade points, regional economic communities and the creation of the *SMEnet*. In this regard, UNIDO will play a leading role within the framework of the development of the SMMEs portal.

B. Major activities of the United Nations Industrial Development Organization in Africa

Integrated programmes

33. Reflecting the continued commitment to the industrial development efforts of the continent, 14 integrated programmes are in the process of implementation in sub-Saharan Africa (Burkina Faso, Côte d'Ivoire, Eritrea, Ethiopia, Ghana, Guinea, Madagascar, Mali, Mozambique, Nigeria, Rwanda, Senegal, Uganda and the United Republic of Tanzania), with a combined planning figure of $101.5 million. Underlining the importance accorded to the region, sub-Saharan African countries account for 31 per cent of all UNIDO integrated programmes.

34. UNIDO launched its first regional integrated programme for Africa, initially covering Benin, Burkina Faso, Guinea, Niger, Senegal and Togo. Targeting agro-industries in West Africa, the programme will upgrade capabilities of civil society organizations that provide service to micro- and small industries, particularly in rural areas, in selected agro-industrial subsectors. Two other programmes (in Cameroon and Kenya) entered the final preparatory phase, while programmes are under development for Togo, Niger, Lesotho, Namibia and South Africa.

35. The new process for continuous improvement of programme implementation features an ongoing dialogue with beneficiaries. For instance, following the initial success of the integrated programme for Guinea, it was agreed that future priorities would include a number of aspects ranging from quality improvement and rural entrepreneurship development to a round table for funds mobilization. By enhancing programme impact, the approach improves client satisfaction. A

tangible sign of this support during 2001 was in Nigeria, where a trust fund agreement allocated $5.5 million from the Government to finance the implementation of the UNIDO country service framework for that country.

36. Within the programmes for Mozambique and Uganda, and to build on the success of other National Cleaner Production Centres, new centres were established in both countries.

Regional and subregional programmes

37. In line with its emphasis on regional development issues, UNIDO signed an agreement with the West African Economic and Monetary Union (UEMOA) on a regional programme to support the establishment of an accreditation, standardization and quality promotion system in member States of the Union. UNIDO will implement €8.2 million of a total budget of €12.5 million, financed by the European Union. Similar programmes are presently under formulation for member States of the Economic Community of West African States (ECOWAS) and the Southern African Development Community (SADC).

38. During 2001, the inauguration of the UNIDO-Africa Investment Promotion Agency Network was an important event. The Network, which functions as a resource group to provide guidance on the design of UNIDO's country and regional-level programmes, also provides a permanent platform for regularized training and continuous linkages between investment promotion agencies and UNIDO Investment and Technology Promotion Offices. The Network acts as a global forum, with the objective of developing low-cost promotion strategies. Surveys are carried out in member States to generate investor perception indicators and forward-looking indexes that shed light on future investment flows.

39. Established in 2000, the UNIDO Regional Industrial Development Centre (RIDC) in Lagos supported efforts in the subregion in various ways. The Centre assisted in the preparation of a meeting of ECOWAS experts on industrial development in West Africa, which was convened at Abuja in February. As part of its interregional activities, the Centre convened a cooperation meeting between ECOWAS and the Common Market of the Southern Cone (MERCOSUR) in May. It also initiated an industrial cooperation dialogue between Nigeria and Malaysia. Two memoranda of understanding, facilitated by the Centre, were signed: the UNIDO-Africa capital alliance partnership for small and medium-sized enterprises development; and the UNIDO-Lagos Business School partnership for small and medium-sized enterprise development in Nigeria.

40. Other regional and interregional initiatives featured various industrial sectors. A proposal for the promotion of seed and grain treatment technologies and development of environmentally friendly seed protectants suitable for rural African farmers aims to improve food production and storage by minimizing environmental contamination risks. Another programme is designed to enhance the capacity to support the transfer of energy-efficient industrial technologies under the United Nations Framework Convention on Climate Change and the Kyoto Protocol to the Convention in the Common Market for Eastern and Southern Africa (COMESA). A regional programme on technology management for sub-Saharan Africa will strengthen national innovation systems in eight African countries.

41. With a view to expanding its development cooperation in Southern Africa and to involving South Africa in this scheme, UNIDO undertook its first technical appraisal mission in November to come up with the country's needs assessment and to plan its technical assistance activities in the subregion. Among follow-up requests received was one for the establishment of a national cleaner production centre, implementation of the Stockholm Convention on Persistent Organic Pollutants and support to waste management in high-density areas.

Inter-agency cooperation

42. To underline the importance of UNIDO involvement in system-wide cooperation and to present UNIDO's strategic vision of development for the region, UNIDO actively participated in the Third United Nations Conference on the Least Developed Countries, in the high-level segment of the Economic and Social Council on sustainable development of Africa and the heads of State summit on partnership with the private sector for financing Africa's growth through the New Partnership for Africa's Development. UNIDO's constructive involvement resulted in recognition of the key role of productivity and industry for sustainable growth and poverty alleviation in the

region. Synergy and coordination with other partners were strengthened.

43. UNIDO continued its efforts to refocus and adjust its activities to the new realities of development cooperation and to integrate its assistance within the framework of United Nations programmes in Africa. Thus, UNIDO participated actively in the third annual regional consultation of United Nations agencies working in Africa (October 2001, Addis Ababa), where it came up with its views on meeting the challenges of the continent's development and the UNIDO response, within the framework of the New Partnership for Africa's Development. UNIDO also contributed to the Conference on African Economic Integration: the pivotal role of the private sector (November 2001, Accra), which served as a global forum to boost private sector growth.

44. UNIDO has been involved in promoting cooperation between governmental bodies and the private sector, including the establishment of public/private sector consultative mechanisms in several countries: Ghana, Nigeria, Senegal and the United Republic of Tanzania. Cooperation between the public and private sectors is a powerful factor in increasing trade and investment flows and it is one of the main objectives of the UNIDO integrated programmes.

45. A policy-level highlight of the UNIDO biennial cycle is the Conference of African Ministers of Industry, which is organized jointly with ECA and OAU and meets prior to sessions of the UNIDO General Conference. The fifteenth Conference of African Ministers of Industry, and its subsidiary organ, the Intergovernmental Committee of Experts of the Whole on Industrialization in Africa, met at Yaoundé, in October 2001. The Conference called upon the African States: to implement sound macroeconomic policies and sectoral programmes to encourage competitiveness and good governance; to continue in the course of 2002 to establish Industrial Partnership Councils as a platform for dialogue and cooperation between Governments and the private sector; and to formulate under their auspices national long- and medium-term industrial development plans. In addition, it was decided to strengthen the programme of activities of the Conference of African Ministers of Industry through a series of highly focused industrial development programmes. Acknowledging UNIDO's key role in the industrialization of Africa, the fifteenth Conference requested the organization: to continue to assign high priority to African countries in the formulation and timely implementation of integrated programmes; to assist in stepping up inter-African cooperation; and to step up the organization of high-level work visits and study missions to rapidly industrializing African countries in order to implement tripartite initiatives. The Conference also mandated the executive heads of ECA, OAU and UNIDO, in cooperation with other agencies, to vigorously pursue the relevant objectives set out in the New Partnership for Africa's Development. It was also decided to proceed, under the auspices of the Conference, ECA and UNIDO, with the organization of subregional meetings in Africa in order to come up with new regional development policies and strategies.

Research collaboration with Oxford University: focus on Africa

46. Complying with the new reality of disseminating recent knowledge by universities, exploited by institutions and commercialized by dynamic industries, cooperation with Oxford University was in the vanguard of UNIDO's new policy accent on networking with relevant institutions. Research in 2001, under the collaboration agreement with the University's Centre for the Study of African Economies, included working papers on investment, export and productivity-related issues based on in-depth surveys of manufacturing in Ghana, Kenya and the United Republic of Tanzania. A discussion paper on the performance of African enterprises was also prepared for the business sector round table at the Third United Nations Conference on the Least Developed Countries.

47. In March, the Centre conducted a training workshop on collection and analysis of data on African firms for 16 civil servants from five African countries as well as two UNIDO staff members. The workshop coincided with the Centre's annual conference, which focused on development policy in Africa — public and private perspectives, where UNIDO delivered a keynote speech on industrial development and action-oriented research and networking.

48. Trainees from Nigeria used their newly acquired skills in data collection and compilation as national zonal supervisors, training other members of the survey team, who acted as enumerators and data-entry clerks, to conduct a survey of 300 manufacturing firms in the

country. The survey was completed, with a high degree of accuracy, based on the training received at Oxford.

49. A joint UNIDO/Centre for the Study of African Economies international conference on new industrial realities and firm behaviour in Africa was held at Oxford. Bringing together analysts, policy makers and development practitioners, the meeting debated research findings based on firm-level work in the manufacturing sector.

South-South cooperation

50. To a significant extent, activities in the region featured South-South cooperation relating to industrial human resource development and capacity-building. Through the Tokyo International Conference on African Development, collaboration with China and UNIDO-India partnerships, a number of study tours and group training programmes were arranged. An Asia-Africa investment promotion centre implemented for seven pilot recipient countries (Côte d'Ivoire, Ghana, Mozambique, Senegal, Uganda, the United Republic of Tanzania and Zimbabwe) will improve the transfer of investment and technology from Asian to African countries. To share its successful experience in structural transformation and industrialization, Malaysia cooperated in organizing a study tour for senior officials of the Nigerian Government and representatives from the private sector.

Least developed countries

51. Least developed countries remain at the core of the geographical, sectoral and thematic priorities of UNIDO, in line with the business plan. To coordinate effectively and to enhance UNIDO activities in support of least developed countries, relevant adjustments in the organizational structure were made and a post of coordinator for least developed countries established. System-wide events in 2001, in particular the Third United Nations Conference on the Least Developed Countries, encouraged UNIDO activities in support of least developed countries during the year.

52. Owing to UNIDO's effective involvement, the Third United Nations Conference was the first United Nations conference in many years to establish the issue of productive capacities as one of the priorities for least developed countries to curb their marginalization, fight poverty, participate successfully in world trade and benefit from the globalization process.

53. UNIDO played the leading role in the thematic session on energy and launched a portfolio of special initiatives called "deliverables" to contribute to the implementation of the eight priority "commitments" spelled out in the new programme of action adopted by the Conference for the decade 2001-2010.

54. As a follow-up to the Third United Nations Conference on the Least Developed Countries, UNIDO pursued various initiatives to implement the Brussels Declaration and new Programme of Action. First, in line with commitment 4 of the Programme of Action (Building productive capacities), a programme on enabling least developed countries to participate in international trade was launched, aimed at facilitating their trade participation and export competitiveness through the upgrading of quality and accreditation infrastructure, in particular in food, textile and leather products. The European Union agreed to finance a regional programme for member States of the West African Economic and Monetary Union (seven of eight are least developed countries). With support from Germany, a programme is under development for seven members of ECOWAS, including five least developed countries (Cape Verde, Gambia, Guinea, Liberia and Sierra Leone). Similarly, a programme is under development to strengthen the standards, metrology, testing, conformity assessment and quality and productivity capacities to enable them to reap the benefits of globalization.

55. Dynamic follow-up also applied to energy. Renewable energy projects promoting solar, wind and biomass energy in rural areas were formulated for three least developed countries (the Gambia, Ethiopia and Zambia), with Global Environment Facility funding for Zambia. UNIDO has been also active in the further development and expansion of the "multi-functional platform" programme. Initiated in Mali in 1995, the programme has successfully applied simple technology and energy services to fight rural poverty and to empower women. In partnership with the United Nations Development Programme (UNDP), the programme was expanded in 2001 through a regional programme benefiting other West African least developed countries (Burkina Faso, Guinea and Senegal). A workshop at Bamako in December, organized jointly with UNDP, confirmed the validity and success of the programme based on the know-how and national expertise developed and the keen interest of both African countries and donor countries.

56. On "trade issues", UNIDO highlighted the need to promote the correlation between access to markets and the strengthening of productive capacities. In addition, UNIDO also participated in the International Conference on Financing for Development, held in Monterrey, Mexico, in May 2002.

III. Conclusions and recommendations

57. **In order to make globalization work for all, and in order to accomplish the Millennium Development Goals, special emphasis should be placed on the promotion of sustainable industrial development through the building of competitive industrial capacities. Globalization, without the creation and enhancement of domestic productive capacity, leads to marginalization. The present international trend towards intensified globalization and accelerated technical progress makes the role of industry even more important for economic, social and environmental development.**

58. **Without industrialization, a sustainable path of economic development will not be achieved. Industry, in particular the manufacturing industry, drives economic growth. Industry provides a breeding ground for entrepreneurship, fosters technological dynamism and productivity growth, creates skilled jobs and, through intersectoral linkages, establishes the foundation for the expansion of both agriculture and services. Furthermore, prices of manufactured exports are less volatile and susceptible to long-term depreciation than are those of primary goods, thus, providing the potential for sustainable export growth and integration in the global industrial economy.**

59. **Industry plays an important role as a producer of goods for poor and socially disadvantaged groups. It helps rural areas to develop and to reduce post-harvest losses. The expansion of private sector industrial activities provides a foundation for meeting the basic human needs of the poor. Industry also produces a range of health-related products, which increase life expectancy and reduce infant mortality. Industry strengthens the infrastructure base for socio-economic advancement and plays an important role in post-war and post-emergency reconstruction and recovery. It contributes to conflict prevention and peace by job creation, poverty alleviation and social stability.**

60. **The problem of poverty alleviation cannot be automatically resolved by merely getting the macroeconomic and social conditions right and by opening trade and investment — policies to ensure sustainable productivity growth with equitable distribution of the benefits are also vital. By attending to the structural aspects of industrial development, countries can greatly improve their industrial performances.**

61. **Strategies and polices should be tailored to developing economy needs. Focusing on SMMEs and SMMIs, and helping them link up with the global economy, agro-industries and rural industrialization, and on regional industrial development, with effective participation in the regional and global value chain, can play an important role in poverty alleviation efforts.**

62. **Within the process of globalization, the interconnection and interdependence between industrial development and trade is increasing. International trade is important for fostering industrial growth and the structural transformation of economy.**

63. **African countries should diversify away from traditional trade patterns, marked by excessive reliance on exports of raw materials and semi-processed goods and on traditional comparative advantages of raw materials and unskilled labour. Manufacturing plays a crucial role in transforming the economic structure of poor economies. It is a catalyst for shifting economies away from simple, low-value activities with poor growth prospects to activities with high productivity, increasing returns and strong growth potential.**

64. **Global industrial value chains, linking the entire sequence of activities from raw material extraction, production, design, research and development to marketing, delivery and disposal after use, opens up new avenues for industrial capacity-building and structural transformation of the economies of developing countries. Enterprises can link up with outside entities to acquire technologies and skills to leverage external resources for industrial development. While participation in global value chains can accelerate the process of industrial capacity-building by enterprises, for this to be successful, domestic industrial capacity-building must be rewarding and sustainable.**